

BlackRock Global Allocation Fund (Aust) (Class D)

Rating issued on 28 Sep 2023 | APIR: MAL0018AU

Investment objective

To maximise total investment returns while managing risk. The Fund is generally diversified across markets, asset-classes, industries and issuers.

Manager	BlackRock Investment Management (Australia) Limited
Distributor	BlackRock Investment Management (Australia) Limited
Sector	Multi-Asset \ Specialist
Investment Style	Active
RI Classification	Aware
Absolute Risk	High
Relative Risk	Active - Tactical AA Focussed
Investment Timeframe	5-6 Years
Benchmark	Bloomberg AusBond Bank Bill Index
Min Investment Amount	\$50,000
Redemption Frequency	Daily
Income Distribution	Half Yearly
Fund Size (31 Aug 2023)	\$336.25M
Management Cost	0.20% p.a. Incl. GST
Performance Fee	12.5% of any outperformance from previous high water mark
Buy / Sell Spread	0.30 % / 0.30 %
Inception Date	27 Jun 2005

Fund facts

- Neutral Asset Allocation of 60% Equities / 40% Fixed income
- Managed under a Co-Portfolio Manager structure with highly complementary skill sets
- Focus on macroeconomic factors to drive capital and risk allocation

Viewpoint

The Fund is a Multi-Asset product providing exposure across a range of asset classes, including Global Equities, Global Fixed Interest, Cash and active currency management. The Fund is positioned to generate a total return comparable with Global Equities, albeit with lower volatility over a full market cycle. Zenith has a favorable view on the Portfolio Management team's ability to identify and analyse macroeconomic trends and factors, forming the foundation for portfolio positioning and supporting its ability to deliver upon the Fund's stated objectives.

BlackRock is a publicly listed company that manages over \$US 9.4 trillion globally, as at 30 June 2023. As at same date, the Global Allocation (GA) strategy had funds under management (FUM), of approximately \$US 49.4 billion.

The Global Allocation (GA) team consists of over 30 members, located across New York, London and Singapore and led by Rick Rieder, Chief Investment Officer (CIO) of Global Fixed Income. In addition, Rieder is supported by a further three senior investors who collectively are assigned portfolio management responsibility for the Fund.

Zenith believes Rieder has strong leadership qualities and considerable experience, most notably with respect to macroeconomic analysis and the derivation of investment strategy. We regard these skills as integral in setting the Fund's targeted asset mix and overall risk positioning. Importantly Rieder has a proven track record in managing unconstrained and alternative Fixed Income strategies, and in Zenith's opinion, is well-positioned to lead the GA team and drive portfolio outcomes consistent with stated objectives.

The Fund's mandate is broad and permits the GA team to invest across a wide opportunity set, with asset class exposure gained on both a physical and synthetic basis. Indicatively, the Fund is managed to a neutral asset allocation comprising 60% Equities and 40% Fixed Income (and Cash). While this capital allocation has remained largely static through time, sub-sector allocations have been actively managed.

In setting the Fund's asset mix, the Portfolio Management team take into consideration current economic conditions, capital markets research (including risk, return and correlation forecasts across a range of asset classes) and market regime analysis. With regard to market regimes, BlackRock have a series of models that aid in the determination of the trajectory of global economic growth and by consequence, inflation expectations and monetary policy.

Zenith believes the approach to portfolio construction is over engineered, combining top-down macro insights and thematic views over multiple investment horizons with bottom-up security selection, with the latter including tailored Equity baskets and individual Equity selection. In our opinion it is challenging for the portfolio management team to structure the portfolio as an integrated pool of capital given the diversification of investment horizons and the risk of sector themes/baskets de-synchronising from the broader macro cycle.



Fund analysis

Fund characteristics

Constraint	Value
Individual Securities	Typically more than 700
Short Exposure	Only permitted to short sell if the total short interest does not exceed 20% of the stock's value.
Non-Investment Grade Fixed Interest Securities	0% to 35%, including junk bonds, corporate loans and distressed securities

Investment objective and philosophy

The objective of the Fund is to provide high total returns over the long-term. More specifically, BlackRock has indicated that it aims to deliver returns that are competitive with Global Equities with less volatility (as measured by Standard Deviation). Internally, the Fund is managed with reference to an internal benchmark which comprises the following:

- 36% S&P 500 Index
- 24% FTSE World (ex U.S.) Index
- 24% ICE BofAML Current 5-year US Treasury Index
- 16% FTSE Non-US Dollar World Government Bond Index

To achieve this objective the Fund can invest in a broad universe, including Global Equities, Fixed Interest and Cash, employing an active asset allocation approach, based on the risk and return opportunities identified by the investment team.

While the Equity and Fixed Income mix have remained relatively consistent with the Fund's 60% and 40% neutral allocations, it should be noted that the sub-asset allocations have varied considerably over time. For example, the Fund may be substantially invested in US shares when they appear undervalued relative to other world share markets, or certain industries may be favoured over others. Within Fixed Income, duration and credit allocations will be linked to the desired overall risk posture of the Fund given the macro environment.

The Fund's investment philosophy embraces the following three key principles in seeking to achieve its investment objective:

- **Flexible:** Flexible mandate and broad investment universe enables the Team to adapt as markets change
- **Diversified:** Broadly diversified investment solution that typically invests in over 40 countries and 30 currencies across traditional and non-traditional asset classes, sectors and capital structures
- **Risk-aware:** Mission to seek to deliver a competitive rate of return with less volatility than a global stock portfolio over a full market cycle

The GA team employs a process that combines top-down macro insights and thematic views, with bottom-up security selection to set the Fund's asset allocation and risk positioning. Through this process, the GA team seeks to add value across a broad set of investment strategies rather than being focused on few to drive portfolio outcomes.

Portfolio applications

The Fund provides investors with exposure to a diversified portfolio of Equities, Fixed interest and Cash. Its targeted asset

mix comprises a 60%/40% split between Equities and Fixed Interest assets.

The Fund is appropriate for investors with a moderate-to-high risk tolerance, seeking investment returns that are likely to be more influenced by capital growth. Given the risks inherent in the asset classes that the Fund targets, Zenith considers an appropriate investment horizon to be five or more years.

The Fund is considered suitable as a standalone investment for those investors seeking a growth-orientated product with lower volatility to equities. Alternatively, the Fund may be suitable as a part of a diversified portfolio, in order to produce an outcome consistent with an investor's risk profile.

The Fund has a Standard Risk Measure (SRM) which estimates 3 to less than 4 years of negative annual returns over any 20-year period. This SRM is published in the Fund's current Product Disclosure Statement (PDS) and calculated by BlackRock based on the FSC/ASFA recommended methodology.

Fund responsible investment attributes

Key Information	Description
Zenith RI classification*	Aware
Has Responsible Investment Policy	Yes
PRI Status	
PRI Signatory	Yes

*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact



Absolute performance

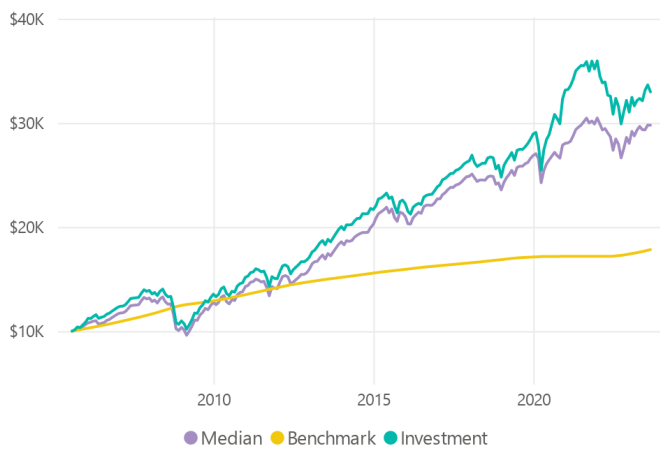
Performance as at 31 Aug 2023

Monthly performance history (% , net of fees)

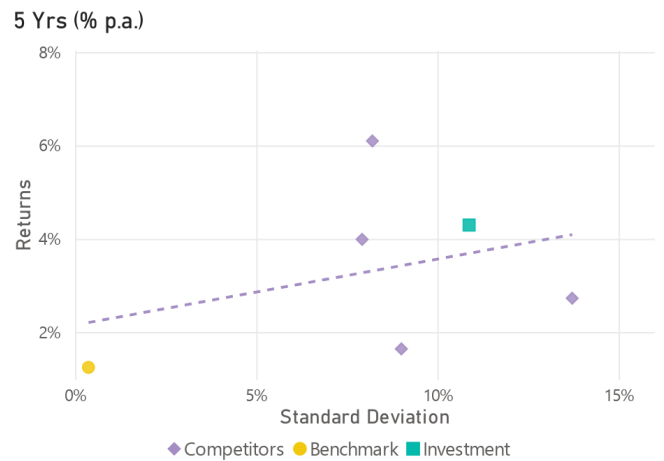
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM YTD*
2023	4.56%	-2.51%	1.65%	0.58%	-0.69%	3.11%	1.58%	-1.97%					6.27%	2.45%
2022	-4.12%	-1.80%	0.23%	-3.72%	-0.30%	-5.32%	4.93%	-2.42%	-5.29%	3.98%	3.44%	-3.50%	-13.67%	1.25%
2021	0.16%	1.04%	1.86%	2.39%	0.81%	0.67%	-0.07%	1.12%	-2.55%	2.76%	-2.08%	2.17%	8.44%	0.03%
2020	0.50%	-4.22%	-8.71%	7.73%	3.65%	1.68%	3.43%	3.16%	-1.28%	-1.62%	7.93%	2.67%	14.57%	0.37%
2019	4.46%	1.71%	1.42%	1.62%	-2.69%	3.59%	0.38%	-0.08%	0.91%	1.19%	1.49%	1.73%	16.71%	1.50%

*Bloomberg AusBond Bank Bill Index

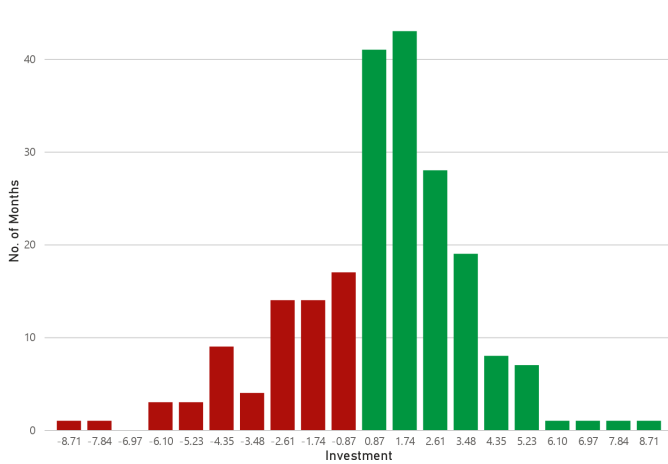
Growth of \$10,000



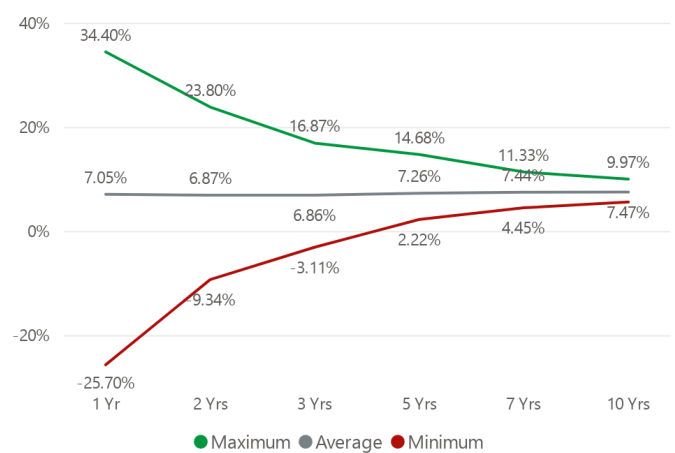
Risk / return



Monthly histogram



Minimum and maximum returns (% p.a.)





Absolute performance analysis

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	4.47%	2.30%	4.29%	5.91%	6.82%
Income	-0.00%	5.64%	5.96%	6.26%	6.28%
Growth	4.47%	-3.34%	-1.66%	-0.35%	0.54%
Benchmark	3.37%	1.25%	1.24%	1.72%	3.25%
Median	6.53%	3.11%	3.64%	5.62%	6.22%
Cash	3.37%	1.25%	1.24%	1.72%	3.25%

Ranking within sector (p.a.)

Ranking within Sector	1 Yr	3 Yrs	5 Yrs	Inception
Fund Ranking	3 / 5	4 / 5	1 / 4	1 / 3
Quartile	2nd	3rd	1st	1st

Absolute risk

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Standard Deviation (% p.a.)					
Investment	10.61%	10.25%	10.87%	8.64%	9.13%
Benchmark	0.20%	0.45%	0.37%	0.31%	0.60%
Median	8.71%	7.53%	8.14%	6.81%	8.18%
Downside Deviation (% p.a.)					
Investment	7.14%	6.69%	7.35%	5.71%	6.24%
Benchmark	0.00%	0.01%	0.01%	0.01%	0.00%
Median	5.40%	4.78%	5.78%	4.60%	5.74%

Absolute risk/return ratios

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Sharpe Ratio (p.a.)					
Investment	0.10	0.10	0.28	0.48	0.39
Benchmark	0.00	0.00	0.00	0.00	0.00
Median	0.36	0.25	0.29	0.57	0.36
Sortino Ratio (p.a.)					
Investment	0.15	0.16	0.41	0.73	0.57
Benchmark	NaN	0.00	0.00	0.00	0.00
Median	0.59	0.39	0.41	0.85	0.52

Zenith benchmarks funds in the 'Multi-Asset - Specialist' peer group against the Bloomberg AusBond Bank Bill Index. While this benchmark may not be consistent with the one adhered to by all rated participants, it has been adopted to provide investors with a common reference point against which similarly structured strategies may be assessed.

All commentary is effective as at 31 August 2023.

The objective of the Fund is to maximise total investment returns while managing risk. More specifically, BlackRock has indicated that it aims to deliver returns that are competitive with global equities with less volatility (as measured by Standard Deviation). Internally, the Fund is managed with reference to an internal benchmark which comprises the following: S&P 500 Composite (Total Return) (36%); FTSE World Index ex-US (total return) (24%); Bank of America Merrill Lynch Government Index GA05 (5 year treasury bond) (24%); and FTSE Non-USD World Government Debt Index (16%).

In comparison to the internal composite reference benchmark, the Fund has outperformed over the medium-to-longer term. That said, performance has lagged global equities as measured by the MSCI World ex-Australia (\$A Hedged) index. In terms of volatility however (as measured by Standard Deviation), the Fund has displayed a volatility profile consistent with the stated objective. Overall the Fund has delivered attractive risk-adjusted returns over a range of time periods, translating into upper quartile rankings (relative to peers) over the medium-to-longer term.



Relative performance

Excess returns

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Excess Return	1.10%	1.05%	3.05%	4.19%	3.57%
Monthly Excess (All Mkts)	58.33%	55.56%	61.67%	65.00%	64.06%
Monthly Excess (Up Mkts)	58.33%	54.55%	61.40%	64.96%	64.02%
Monthly Excess (Down Mkts)	0.00%	66.67%	66.67%	66.67%	66.67%

Capture ratios (% p.a.)

Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Downside Capture	0.00%	209.59%	209.59%	209.59%	209.59%
Upside Capture	132.01%	183.55%	340.09%	337.09%	206.74%

Tracking error (% p.a.)

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	10.55%	10.22%	10.88%	8.64%	9.19%
Median	8.64%	7.48%	8.13%	6.79%	8.24%

Information ratio

Instrument	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Investment	0.10	0.10	0.28	0.48	0.39
Median	0.37	0.25	0.29	0.57	0.36

Beta statistics

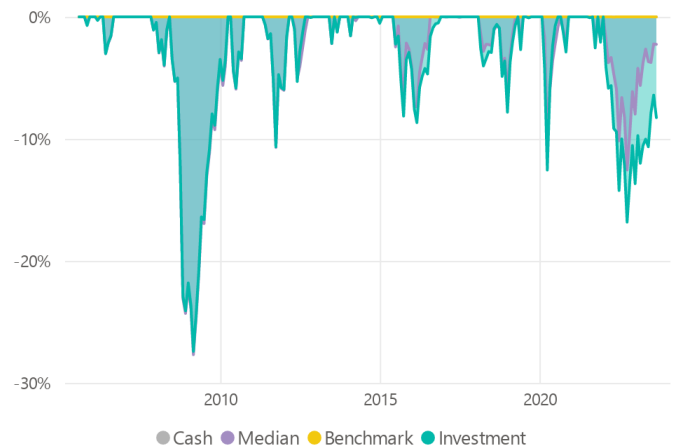
Statistic	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Beta	16.63	1.94	-0.20	0.86	-0.97
R-Squared	0.10	0.01	0.00	0.00	0.00
Correlation	0.31	0.09	-0.01	0.03	-0.06

All commentary is effective as at 31 August 2023.

Zenith seeks to identify funds that can achieve an outperformance ratio above 50% of months in all market conditions, as we believe this reflects a consistency of manager skill. While, the Fund has displayed consistency of monthly outperformance of the benchmark over a range of investment horizons, in all market conditions, we believe this is a less instructive measure given the cash benchmark assigned.

Drawdown analysis (since inception)

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.



All commentary is effective as at 31 August 2023.

As noted in the drawdown chart above, the Fund's worst drawdown to date was -27.42%, which coincided with the 2008 Global Financial Crisis (GFC) and broadly reflected the drawdown experience of the Zenith-assigned benchmark.

Given its large Equity exposure, the Fund may be subject to meaningful drawdowns as is evidenced through past performance.



Fund commentary

Fund risks

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

Key person risk: The Global Allocation team is led by Rieder with strong support from Portfolio Managers, Russ Koesterich and David Clayton and Kate Moore, Head of Thematic Investing. Zenith considers the ongoing involvement of all four members to be critical to the future success of the Fund. Any of their departures would warrant a reassessment of our rating.

Credit spread risk: The Fixed Income component of the portfolio will generally contain higher-yielding securities than a traditional International Fixed Interest fund, with up to 35% of the overall portfolio exposure allowed in credit securities, including high yield, corporate loans and distressed securities. During periods of widening credit spreads, there is a risk that the Fund may underperform a more traditional balanced fund.

Performance risk: Investors should be aware that the Australian Fund is based on a global model portfolio which forms the basis for all Funds (globally) that invest in the strategy. However, there may be differences in underlying holdings due to various reasons such as regulatory disparities, prospectus differences, and variance in cash flows. This may result in performance differentials between the two funds.

Currency risk: Australian investors should also be aware that the Fund is hedged to Australian dollars, based on movements of the benchmark, not the physical assets of the Fund. While BlackRock ensures that the active currency positions are reflected in the Fund, there may be unintentional currency bets that arise from the hedging process. This is largely a reflection of basis risk between the underlying holdings of the portfolio versus the performance benchmark.

Security/asset selection

The Fund has a broad investment universe, which includes Global Equities, Fixed Income and Cash securities, with exposure permitted to be gained on a physical or synthetic basis. Analysts seek to identify attractive opportunities across asset classes, countries, and industries, corresponding with their assigned areas of responsibility which spans a company's full capital structure.

Security selection is centred around bottom-up analysis with consideration given to a mix of fundamental and quantitative factors. Regarding the former, key areas of focus are free cash flow generation along with various relative valuation metrics including P/E, P/CF, P/B, and EV/EBITDA.

With respect to corporate credit, analysts also assess balance sheet strength, yield/spread levels, duration, and currency analysis in order to identify attractive investments. In evaluating sovereign bonds, consideration is given to the forecast trajectory of economic growth, monetary policy outlook, realised and expected inflation, political and fiscal conditions, liquidity and foreign ownership structure.

Analyst recommendations are based on a forward two-to-three year investment horizon, and take into consideration the PM team's macroeconomic views and views in terms of market thematics. Regarding the latter, these tend to be based on longer-term structural trends which inform an analysts' future cash flow projections.

Analyst recommendations extend beyond buy/hold/sell, to include views on how best to express fundamental views in terms of where in the capital structure to invest (i.e. Equities or Debt), targeted entry/exit levels, currency of choice, physical or synthetic exposure. The decision to invest will then be determined by the PM team in consultation with the analyst.

The investment team's sell discipline is well-defined; Equity holdings will be sold where analysts believe valuations have become stretched or a company's fundamentals and/or prospects have deteriorated. In regards to Fixed Interest investments, the team will assess a company's fundamentals and creditworthiness. In general, BlackRock will continue to hold individual positions unless there is a material change in pricing or the credit outlook for the sector.

Overall, Zenith considers BlackRock's security selection process to be sound. We view favourably the high levels of experience observable across the team which we believe is important, noting the requirements for analysts to make recommendations across Equity and Debt issues. Importantly, we believe this approach aids the analyst team in identifying relative value opportunities and proposing trade expressions.

Responsible investment approach

BlackRock has been a signatory to the United Nations Principles of Responsible Investment (PRI) since 2008.

BlackRock has an established Responsible Investment Policy (RIP) that was last updated in March 2023. Compliance with the RIP is monitored by BlackRock's Sustainable Investment Team alongside the Risk & Quantitative Analysis (RQA) team within BlackRock's Internal Risk Team. BlackRock has advised that for the 12 months to 30 June 2023, there have been no material breaches of its RIP globally.

The Fund is not permitted investment, either Equity or Debt in companies involved with thermal coal (25% revenue threshold) and US companies whose primary business is firearms manufacturing.

BlackRock leverages their market-leading proprietary technology to support the sophisticated approaches to measuring and assessing sustainability-related risk and opportunities. For example, BlackRock has integrated issuer-level ESG data into their internal risk management system, Aladdin, allowing portfolio managers to efficiently assess ESG information as part of their analysis.

Overall, Zenith believes BlackRock applies a well-structured approach to ESG incorporation while also providing sufficient flexibility, recognising the nuances of individual asset classes, client needs and investment processes. Furthermore, Zenith notes that BlackRock's scale has been to the benefit of ESG incorporation, effectively permitting a level of consistency that would otherwise be challenging to achieve for peers with more constrained internal capabilities.



Portfolio construction

The Fund's neutral asset mix comprises a 60% allocation to Equities and 40% to Fixed Income and Cash. This provides a starting point against which the investment team will structure the portfolio, albeit allocations and positioning within these segments can change materially over time.

To assist with the capital allocation process, the PM team take into consideration current economic conditions, capital markets research (including risk, return and correlation forecasts across a range of asset classes) and market regime analysis. With regard to market regimes, BlackRock have a series of models that aid in the determination of the trajectory of global economic growth and by consequence, inflation expectations and monetary policy.

Zenith believes BlackRock's regime analysis provides a solid framework around which the PM team is able to propose a targeted asset mix and overall risk posture. This is particularly the case in trending markets or those where cross asset class volatility is low. It is not however deemed to be as effective in markets experiencing abrupt or episodic behaviour.

An emerging element of the process is the identification of thematic opportunities arising from structural change, policy evolution, and dislocations across global industries. This is an area of responsibility rests with Moore who leverages the top-down views of the PM team along with bottom-up research. Once a thematic has been identified and agreed, Moore will work with the analyst team to determine how best to express the idea. Commonly, this is achieved by structuring Equity baskets to achieve a desired exposure, corresponding with the GA team's view that equities provide greater convexity in terms of payoff relative to fixed interest.

A further area of enhancement has been the GA team's use of quantitative research to aid in the derivation of customised factor-based strategies. While traditionally the Fund displayed a value orientation within equities, the GA team now seeks to take active positioning across a broader range of style factors with the efforts in this area led by Koestrich.

The final portfolio is structured to be highly diversified, with positions spread across Global Equities, Fixed Income and Cash. The GA team can utilise a range of instruments when implementing the portfolio, including stocks, bonds, ETFs and tailored mandates. Zenith believes the Fund benefits from this wide opportunity set as it provides the PM team with greater latitude to implement its views, while seeking to maximise portfolio efficiency.

While the portfolio is predominantly composed of physical securities, derivatives are employed frequently. Derivatives may be used to alter the Fund's asset allocation, to enact downside protection strategies and to structure trades to achieve positive convexity. These can be expressed across multiple asset classes including Equities, Fixed income and Currencies. BlackRock will also actively use cash, either to dampen the overall risk of the portfolio or to shorten its overall duration profile.

The capital allocation process also extends to currency management, with the PM team permitted to implement active currency views, noting that the Fund is managed from a US dollar perspective. BlackRock Australia is responsible for translating active views across the Australian Fund (i.e. the Fund reflects the intentional active currency decisions of the US Fund, whilst neutral weightings are held in AUD instead of the USD). Zenith believes the Fund's use of active currency positions is logical and provides an additional, uncorrelated return source.

Overall, Zenith believes that despite the enhancements made, the GA team's approach to portfolio construction is highly engineered, combining top-down macro insights and thematic views over multiple investment horizons with bottom-up security selection, with the latter including tailored Equity baskets and individual Equity selection. In our opinion it is challenging for the portfolio management team to structure the portfolio as an integrated pool of capital given the diversification of investment horizons and the risk of sector themes/baskets de-synchronising from the broader macro cycle.

Risk management

BlackRock's risk management framework is multi-faceted and comprised of advanced portfolio and risk management systems, a dedicated quantitative team, independent risk/oversight functions and mandate constraints.

BlackRock Solutions (BRS) is the central package through which the portfolio management team co-ordinates its risk management efforts. It incorporates the Aladdin platform which provides real-time portfolio analytics and includes the Green Package (the firm's daily risk management reporting system) and Aladdin Research, BlackRock's global research database.

The portfolio management team maintains a close working dialogue with BlackRock's RQA team who provides independent portfolio analytics for the purposes of portfolio management. The RQA team is supported by personnel from BRS to develop and enhance risk models, investment tools and to generate a broad range of reports, a summary of which is provided below:

Factor Risk Reports: providing real-time portfolio level risk updates across a variety of metrics including DxS and Spread duration.

Stress Testing Reports: analysing the impact of actual and hypothetical ("what if") scenarios, with flexibility to use historical market prices as well as specify custom shocks.

Correlation Analysis Reports: both ex-ante and ex-post correlations can be tested amongst trades, strategies and factors using various time horizons and weighting schemes. There is also functionality that permits investment personnel to limit correlations, thereby maximising the prospect of portfolio diversification (across risk and alpha) which can aid with the Fund delivering outperformance regardless of market conditions.

Daily Attribution Reports: provided at both a factor level and security level, permitting investment personnel to attribute risk at a granular level.

Investment & Risk Dashboard Report: a daily report that provides factor level (ie. Equity, duration, curve, credit) and security level analytics, permitting investment personnel to attribute risk at a granular level.



The portfolio management team may incorporate macro overlays in an effort to control market beta and factor risk. Furthermore, diversification (generally more than 200 individual securities and broad geographical exposure) acts as important risk mitigant, with individual stock positions typically not exceeding 2% of the portfolio. Consequently, no individual position has had a significant negative impact on the portfolio. Zenith notes that the Fund does not have any formal limit of the level of active currency risk within the Fund.

The Fund's performance is monitored monthly by an Investment Review Committee (IRC). This committee is comprised of senior management, portfolio managers, strategists and performance analysts who formally assess Fund attribution, investment policy and other operational matters that relate to its management. The IRC is responsible for reviewing the Fund to ensure it operates in accordance with mandate requirements, with exceptions reported to it directly.

Overall, Zenith believes risk is considered in all levels of the investment process and BlackRock seeks to analyse risk from multiple perspectives in an effort to have a greater understanding of where risk resides within the portfolio. Zenith believes this is particularly important given the flexible nature of the Fund.

Investment fees

	Fund	Sector Average
Total Fees and Costs (RG 97)	1.30 % p.a.	1.14 % p.a.
Management Fees and Costs	0.20 % p.a.	0.67 % p.a.
Transaction Costs	0.19 % p.a.	0.24 % p.a.
Performance fees as at 30 Jun 2022	0.91 %	0.46 %
Performance fees description	12.5% of any outperformance from previous high water mark	
Management Cost	0.20 % p.a.	0.64 % p.a.
Buy / Sell spread	0.30 % / 0.30 %	0.21 % / 0.21 %

All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).

The Sector average is based on the average management cost of all flagship multi-asset specialist funds surveyed by Zenith.

Although Zenith considers the base cost structure to be highly competitive, we would prefer to see a performance fee paid only above a minimum hurdle rate (i.e. the cash rate or the fund's internal performance benchmark).

The fees mentioned above are reflective of the flagship version only. Fees may differ when the product is accessed through an alternate investment vehicle such as a platform.

About the fund manager

Organisation

BlackRock was established in 1988 as the financial management group within the Private Equity firm, the Blackstone Group. Following a number of ownership changes, BlackRock merged with Merrill Lynch Investment Management while retaining the BlackRock name. In 2009, BlackRock acquired Barclays Global Investments and merged the two businesses.

BlackRock employs approximately 19,311 staff located in 35 countries across the world, with approximately \$US 9.4 trillion in funds under management, as at 30 June 2023.

As at 31 August 2023, BlackRock was managing approximately \$US 49.4 billion across the strategy, with \$A 336 million within the local Fund.

Zenith notes that at a global level, the strategy has been subject to outflows in recent years.

Investment personnel

Name	Title	Industry Experience (yrs)	Tenure (yrs)	Location
Rick Rieder	CIO Global Fixed Income, Portfolio Manager & Head of Global Allocation	36	14	New York, USA
Ross Koesterich	Portfolio Manager	20	18	New York, USA
David Clayton	Portfolio Manager	23	13	New York, USA
Kate Moore	Head of Thematic Strategy	20	7	New York, USA

The Global Allocation (GA) team consists of over 30 members located across multiple locations including Princeton, New York, San Francisco, London and Singapore and is led by Rick Rieder, Chief Investment Officer (CIO) Global Fixed Income (GFI). Rieder is supported by a further two senior investors who collectively are assigned portfolio management responsibility for the Fund. Zenith notes that Rieder's April 2019 addition to the team corresponded with an intergenerational change in leadership, with several of its longest-standing members retiring in recent years.

Zenith believes Rieder has strong leadership qualities and considerable experience, most notably with respect to macroeconomic analysis and the derivation of investment strategy. In addition, Zenith believes Rieder has a proven track record in managing unconstrained and alternative Fixed Income strategies, and in Zenith's opinion, is well-positioned to focus the GA team and drive an improved set of portfolio outcomes.

The remaining members of the portfolio management team are Russ Koesterich and David Clayton, who both retain key areas of specialisation. Koesterich is a long-standing member of BlackRock and has previously held senior positions including BlackRock's Global Chief Investment Strategist, Chairman of the Investment Committee for the Model Portfolio Solutions business, and Global Head of Investment Strategy for scientific active Equities. Zenith believes Koesterich enhances the team's quantitative and factor-based capabilities.



Clayton was previously a Senior Investor in the team with responsibility across Equity and Fixed Income (most notably distressed debt), with sectoral responsibilities including Energy, Real Estate, Autos, Industrials, Insurance, Materials and Utilities. Zenith believes Clayton is integral to the team's fundamental security selection process.

Supporting the PM team is Kate Moore, Head of Thematic Strategy, prior to this role she was Chief Equity Strategist at the BlackRock Investment Institute. Within the GA team, Moore's role is to identify thematic opportunities arising from structural change, policy evolution, and dislocations across global industries. In addition, she also works to develop thematic basket trades by merging the bottom-up research produced by the GA analyst team, with the top-down views of the portfolio management team.

Zenith considers the skill sets of Rieder, Koesterich, Clayton, and Moore to be complementary and collectively believe they form one of the highest calibre portfolio management teams within Zenith's Multi-Asset peer group.

The portfolio management team is supported by a team of investment professionals, comprising fundamental, macro and quantitative analysts. This includes over 20 fundamental analysts who conduct independent research, primarily focusing on individual security selection. They are categorised by global sector along with some regional specialisation, and have the flexibility to propose investment ideas across the capital structure. Furthermore, we note the extensive resources and insights now available to the GA through a working relationship with Rieder's GFI team.

The investment team is directly supported by a large number of specialist divisions including quantitative strategists, product specialists, product & research strategists, portfolio transaction members, portfolio administration members and a marketing and communications team. The size and growth of the support team in recent years has been necessitated by a rise in FUM. Overall, Zenith believe these resources are important, ensuring the investment team remains focused on their research responsibilities.

Team remuneration consists of the base plus bonus, with the bonus component for selected investment team members linked to the pool of performance fees generated by the fund. Bonuses are paid via a combination of non-deferred cash bonus, deferred restricted BlackRock stock and units in the Fund managed by the team (both latter components have a three-year vesting period).

In sum, Zenith believes Rieder has a proven track record in managing unconstrained and alternative Fixed Income strategies, and in our opinion, is well-positioned to lead the GA team, drive process enhancements and deliver upon stated objectives with the support of Koesterich, Clayton, and Moore.

About the sector

Sector characteristics

The Multi-Asset sector comprises funds that are permitted to invest across multiple asset classes and investment strategies. Traditionally, asset class exposures have included Equities, Fixed Interest, Property and Cash. However, in more recent times, Zenith has observed a greater preparedness by sector participants to incorporate Alternative assets and strategies

within their targeted asset mix. Included amongst these are Real Assets (i.e. Direct Property and Infrastructure), Commodities and Private Market exposures (i.e. Private Equity and Private Credit). Innovation has also been observed in terms of sector structuring and tail risk hedging strategies, with the goal of building more resilient, all-weather portfolios.

Zenith categorises the Fund within the 'Multi-Asset – Specialist' peer group. Members of this category adhere to a largely bottom-up process and are not explicitly managed to a Strategic Asset Allocation (SAA). Instead, asset allocation represents an outworking of the bottom-up process, with Funds in this peer group commonly targeting an absolute return outcome over the course of a market cycle.

Given the wide range of funds offered in this peer group, Zenith does not measure their performance against benchmarks that have an SAA setting. Rather, they are measured against the Bloomberg AusBond Bank Bill Index, and while we acknowledge that this benchmark may not be consistent with that adhered to by all managers within this peer group, it has nonetheless been adopted to serve as a common reference point against which performance may be assessed.

Sector risks

There exist a number of risks that are generally common amongst all Multi-Asset funds. These include:

Market risk: In periods of heightened risk aversion, it is feasible that asset class correlations merge. Should this occur, the diversification benefits brought through the construction of a portfolio comprising multiple lowly correlated asset classes may be lost, potentially exposing investors to a broader deterioration in market conditions.

Currency risk: Sector participants may be permitted to gain international exposures on an unhedged basis. The decision whether or not to hedge is often deemed active in nature and can expose investors to fluctuations in cross currency rates. This may be either to the benefit or cost of Fund volatility and performance.

Emerging Market risk: Many sector participants gain exposure to Emerging and Frontier Markets which bring with them additional risks. These may include reduced liquidity, a more opaque pricing mechanism, increased sovereign risk and political risk.

Illiquidity risk: While most sector participants will seek to retain high levels of liquidity, it is feasible that a Fund may retain exposures in assets that are deemed illiquid or subject to irregular pricing policies. It may be difficult for an investment manager to subsequently liquidate such portfolio positions without incurring meaningful transaction or other performance related costs.

Administration and operations

Responsible Entity	BlackRock Investment Management (Australia) Limited
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Zenith rating



Report certification

Date of issue: 28 Sep 2023

Role	Analyst	Title
Analyst	Alan Chuong	Associate Investment Analyst
Sector Lead	Andrew Yap	Head of Multi Asset & Austn. Fixed Income
Authoriser	Bronwen Moncrieff	Head of Research

Association & relationship

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Rating history

As At	Rating
28 Sep 2023	Recommended
29 Sep 2022	Recommended
30 Sep 2021	Recommended
30 Sep 2020	Recommended
01 Oct 2019	Recommended
15 Oct 2018	Recommended

Last 5 years only displayed. Longer histories available on request.

In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.



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